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FISCAL IMPACT STATEMENT

LS 6344

BILL NUMBER: HB 1257

NOTE PREPARED: Jan 5, 2010

BILL AMENDED:

SUBJECT: Real property assessed values and trending.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill requires that annual adjustments in the assessed value of real property for property tax purposes must be based on appropriate market factors. It transfers the responsibility for establishing market factors for the annual adjustment of property assessments to the Department of Local Government Finance (DLGF). The bill requires the DLGF to base adjustment factors on an analysis of value changes occurring to large samples of similarly situated properties located in more than one county. It allows the county assessor to adjust a market factor with the DLGF's approval. The bill also makes other related changes.

Effective Date: January 16, 2010 (retroactive).

Explanation of State Expenditures: Under current law, the DLGF must perform real property assessment ratio studies in each county. The county then determines the market factors used by property class and neighborhood to compute the new year's adjusted assessed value for each parcel. Beginning with taxes payable in 2011 this proposal would require the DLGF to complete the market factors

This bill would be effective on January 16, 2010. Mobile homes are assessed on January 15th and taxes are paid in the same year. Beginning with taxes payable in 2011 for real property and mobile homes, this proposal would require the DLGF to adopt rules for real property assessment that simplify the methodology used to determine values. The methodology would have to use the smallest possible number of different market factors for each class of property and the market values would have to be based on large samples of similar properties in more than one county.

The DLGF would incur additional expenses in order to complete the market factors required under the bill.

The DLGF estimates that they would need an additional 4 or 5 analysts at the PAT III level in addition to using a part of current staff resources. The total cost for salary, fringe and indirect costs could be as much as \$240,000 per year.

Explanation of State Revenues:

Explanation of Local Expenditures: Local expenditures would be reduced under this proposal. Counties and townships would no longer compute market factors to apply to real property assessments. According to sample county data provided by the DLGF, counties may be paying an average of \$1.44 per parcel for “trending” services. Based on this average, for 3.5 M parcels, the total cost could amount to about \$5 M per year. Some counties contract this work while others perform it in-house. These cost estimates could also include costs for services other than computing the market factors. Counties would save at least a part of the \$5M cost estimate each year.

Explanation of Local Revenues: The impact on net property taxes payable by any one class of property in any location would depend on the relationship between the broad-based market factors computed under this bill as compared to the localized market factors computed under current law. There would be some differences depending on location but the overall statewide net tax payable by property class would most likely be similar to current law.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County and township assessors.

Information Sources: Tim Jorczak, Department of Local Government Finance.

Fiscal Analyst: Bob Sigalow, 317-232-9859.